

SIX YEAR OUTLOOK--Dollars in Millions

December 20, 2005

	2006	2007	2008	2009	2010	2011
Beginning Balance (General Fund-State)	853	386	201	396	(179)	(981)
Revenues						
BASELINE (November 2005 revenue forecast, 5% annual growth after 2007)	12,946	13,389	14,059	14,762	15,500	16,275
Money Transfers	130	87				
Subtotal	13,076	13,476	14,059	14,762	15,500	16,275
<i>Governor's 2006 Supplemental Revenue Proposals</i>	-	(28)	(28)	(24)	(22)	(18)
<i>Governor's 2006 Supplemental Money Transfers</i>	(5)	(12)	-	-	-	-
<i>Pension Funding Stabilization Account set-aside</i>	-		115	12		
<i>Economic Stability Account set-aside</i>			464			
<i>Initiative 601 Transfer to the Emergency Reserve Account</i>	(113)					
TOTAL REVENUE	12,959	13,437	14,609	14,750	15,478	16,257
Biennial Total		26,396		29,359		31,735
Expenditures (see notes on next page*)						
Baseline Expenditures	12,769	13,184	13,431	13,676	13,932	14,212
Pension Costs			147	259	357	389
Pension Costs--Fund Gainsharing			90	96	101	107
<i>K-12 Teacher/staff and Community and Technical Colleges COLA - Initiative 732 (1.85%, 2.2%, 2.0%, 2.0%) **</i>			68	169	247	347
<i>State employee/Higher Education COLA (1.9%, 2.1%, 2.2%, 2.4%)** Implicit Price Deflator</i>			45	96	150	211
<i>Employee health insurance (state government, K-12, higher education) (10% per capita increase)</i>			92	194	306	431
<i>Medical Assistance (6% per capita increase; 3.5% caseload)</i>			148	309	486	680
<i>Health Services Account Backfill</i>			39	119	274	351
<i>Continuation of Education Legacy Programs (Learning Assistance Program/Higher Education)</i>			106	111	117	123
Subtotal	12,769	13,184	14,165	15,029	15,970	16,850
Governor's 2006 Supplemental Budget						
Required New Spending	45	235	134	159	167	175
Optional Additions (Including \$49m to Unfunded Pension Liability)	20	203	116	137	144	151
Appropriation to Pension Funding Stabilization Account	127					
Appropriation to Economic Stability Account	464					
TOTAL EXPENDITURES	13,425	13,622	14,415	15,325	16,281	17,176
Biennial Total		27,047		29,740		33,457
General Fund-State ENDING BALANCE	386	201	396	(179)	(981)	(1,900)
SUMMARY OF POTENTIAL GENERAL FUND SURPLUS/DEFICIT						
Preliminary General Fund-State Budget Surplus/Deficit (from projected ending balances)	386	201	396	(179)	(981)	(1,900)
Provision for General Fund-State Reserve			(300)	(300)	(300)	(300)
Potential General Fund-State Budget Surplus/Deficit (from projected ending balances)	386	201	96	(479)	(1,281)	(2,200)
Pension Funding Stabilization Account set-aside		127				
Economic Stability Account set-aside		464				
Initiative 601 Emergency Reserve Account	113	113	113	113	113	113
TOTAL POTENTIAL SURPLUS/DEFICIT (including Emergency Reserve, Pension & Economic Stability Accounts)	499	905	208	(366)	(1,169)	(2,087)

EXPENDITURE ASSUMPTIONS

>Assumes enacted 2005-07 budget plus Governor Gregoire's Proposed 2006 Supplemental Budget and November Caseload Forecast Council forecasts.

>Assumes all other programs grow based on OFM population cohort forecast, and Caseload Forecast Council forecasts where applicable.

>Initiative 732 COLA is based on the final November economic forecast for Seattle Consumer Price Index (CPI).

>Assumes vendor rate increase based on Implicit Price Deflator (IPD).

>Assumes 4% inflation for non-Medical Assistance DSHS health care related programs (Developmental Disabilities, Long Term Care, Alcohol and Substance Abuse, Mental Health).

>Assumes average debt service growth of 6.5% per year over forecast period.

>Assumes "all other objects" (excluding salaries, benefits, pensions, vendors) grow by IPD plus one-half associated caseload or population growth.

>Pension funding in FY 2008 is less than the previous 6-year Outlook because of \$50 million paid toward the unfunded liability in FY 2007.

** Does **NOT** include the one-time Fiscal Year 2007 1.6% salary increase in the base for future calculations per negotiated contracts and budget bill language.